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DAVE COLLOGAN/EDITOR
KATHRYN BLEDSOE/ASSISTANT EDITOR
1156 15th STREET, N.W./WASHINGTON, D.C. 20005
PHONE: (202) 822-4600/TELEX: 89-2447

GULFSTREAM DISCONTINUES PRODUCTION OF COMMANDER TURBOPROP LINE

Gulfstream Aerospace Corp., having found no sign of improvement in the depressed turboprop market, announced Thursday that it has permanently discontinued production of its three turboprop models, effective at the end of 1984. Production of new turboprop units had actually ended in November, but Gulfstream's board of directors recently decided to terminate the program.

Gulfstream said it will continue to support parts, service and warranty for the Commander fleet, which includes some 3,200 twin-engine piston- and turbine-powered units, from the Oklahoma City factory and through its network of 57 authorized service centers. When the current inventory of 37 Commander 840, 980 and 1000 models, mostly 1000s, is sold there will no longer be any need for the company's dealer/distributor network because Gulfstream's other products are sold factory direct. That dealer network includes 12 retail outlets and six distributors in the U.S., one retail outlet in Canada and some 34 dealer/distributor operations in the rest of the world.

Gulfstream began laying off employes at Oklahoma City last year and had 576 on the payroll at year-end, with nearly twice that many on indefinite layoff. Some of those laid off are expected to be recalled before long to perform subassembly work for the Gulfstream III and IV business jet line in Savannah, Ga. and to work on the company's new Peregrine single-engine, fanjet-powered aircraft, which will be built, marketed and supported by the Oklahoma facility. The company said it has received some 4,000 inquiries about the Peregrine in the last 18 months, has received deposits for 40 aircraft and has signed firm contracts for 21 aircraft.

Despite a loss estimated at 67-71 cents per share as a result of writing off the Commander operation, Gulfstream Chairman Allen E. Paulson said he expects the company will report 1984 earnings of $1.46 to $1.50 per share. Gulfstream's sales volume for the year was slightly over $600 million, including 37 Gulfstream IIIs and 21 Commanders.

ITC INVESTIGATING U.S. BUSINESS, COMMUTER AIRCRAFT INDUSTRY

U.S. International Trade Commission has launched an investigation of the competitiveness of the U.S. commuter and business aircraft industries. The investigation, which is expected to be completed this fall, was initiated by ITC and "will assess the impact of the growing competition from imports on the U.S. commuter and business aircraft markets and examine the steps taken in response to this increased competition." As part of the investigation, ITC personnel are expected to visit aircraft manufacturing facilities in the United Kingdom, France and Brazil. Aircraft to be studied include business/corporate models and the full range of commuter/regional equipment up to and including the BAe 146.

ITC is soliciting information and comments from interested parties and has set a July 25 deadline for responses. For more information, write to Deborah Ladomirak at the ITC, 701 E St. N.W., Washington, D.C. 20436 or call (202) 523-0131.

FAIRCHILD ESTABLISHES $50 MILLION RESERVE FUND FOR SF340

Fairchild Industries Inc., faced with higher than expected production costs on the 35-seat SF340 com-

(Continued on the following page)

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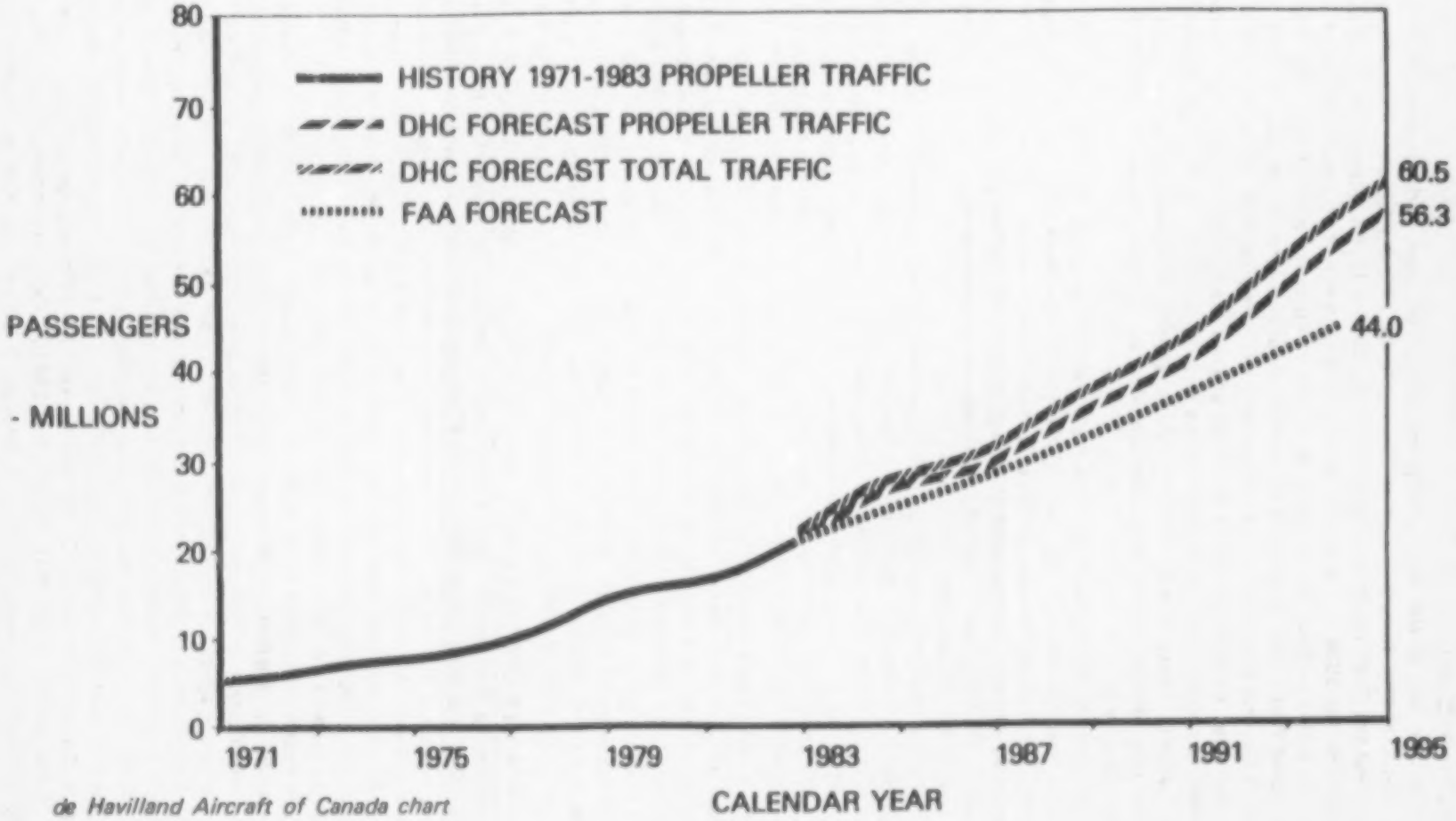
U.S. Regional Airlines

Enplaned Passengers History and Forecast, 1971 to 1995



de Havilland Aircraft of Canada chart

FORECAST CALLS FOR STRONG REGIONAL CARRIER GROWTH THROUGH 1995 – In a presentation delivered last week to the Transportation Research Board, Arthur Toplis, marketing manager of de Havilland Aircraft of Canada, forecast strong growth for the next 10 years for U.S. regional airlines. Toplis predicted that by 1995 U.S. regional airlines will be enplaning approximately 60 million passengers per year, 56 million in propellor driven aircraft and four million in jets, an overall average annual growth of 8.9 percent. Revenue passenger miles also will increase from the 1983 level of 3.2 billion to 11.4 billion in 1995, an average annual rate of 11.2 percent.

Fleet composition is also expected to change due to large numbers of new 20-39-passenger and over 40-passenger airplanes in the market. As compared to the 147 aircraft in service in 1983, there will be some 750 units of 20-39-seat aircraft by 1995. Over 40 and 15-19 passenger classes will also grow, while under 15 passenger aircraft will decline to slightly more than 200, as compared to approximately 569 in 1983 *(see charts on the back of Pages 18-20).*

AIR MIDWEST, SKYWAYS MERGER COMPLETED – Merger between Air Midwest of Wichita, Kan. and Scheduled Skyways of Fayetteville, Ark. was completed last week when Skyways shareholders approved the action. Skyways will now be operated as a wholly owned subsidiary of Air Midwest and will be called Air Midwest Skyways. Calvin C. Hermann will continue to serve as chairman of the board of Air Midwest Inc., with Robert Shults being elected chairman of the subsidiary corporation. Both companies will be administered by Gary M. Adamson, president and chief executive officer and John S. Myers, vice president and chief financial officer. Michael G. Freeman continues as vice president-aircraft operations for Air Midwest and also was named vice president and chief operating officer of the subsidiary.

AIR FORCE GROUNDS CH/HH-53 HELICOPTERS – The Air Force grounded its 43 CH/HH-53B, C and H helicopters last week so it can devise the carry out improved inspections of their tail rotor gearboxes, an Air Force spokesman said. The action followed the crash last Tuesday of an HH-53 on the deck of a tanker in the Pacific Ocean about 560 miles north of Hickam AFB, Hawaii. The helicopter was based at Hickam. Witnesses to the crash reported a tail rotor failure, and the tail rotor had been found to have been a factor in an earlier H-53 crash, last November. The Air Force reduced the time between inspections following the November accident and now will improve inspections.

A service spokesman said the tail rotor gearbox is inspected with a magnifying glass under current procedures. If the visual inspection indicates that cracks may be present, a dye penetrant is used. The spokesman said an improved inspection procedure will be devised and applied to the grounded aircraft before they are restored to flight. Repairs will be made if necessary. The spokesman said the Air Force expects to complete the inspections within about 30 days. He noted that the cause of Tuesday's crash is under investigation.

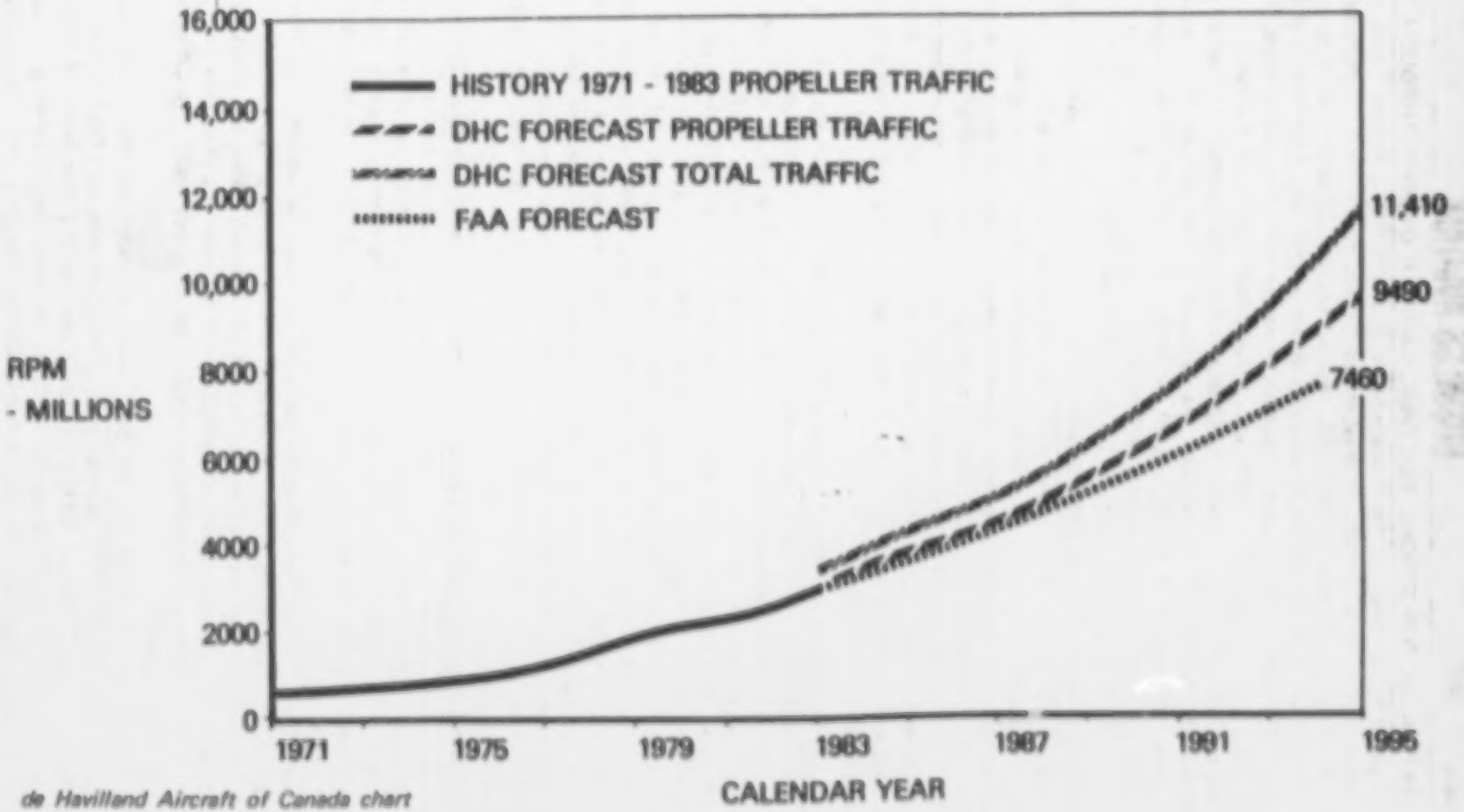
CESSNA 340 CRASHES, THREE KILLED – Three people were killed last Thursday when their twin-engine Cessna 340 crashed during a snowstorm into the parking lot of the East Tennessee State University Memorial Center Sports Complex. According to authorities, the plane was en route from Cincinnati, where the South Carolina basketball team played Wednesday night, to Columbia, S.C., when it crashed nose first, shortly before 1 a.m. Team physician Emmett Lunceford was identified as one of the victims

Roger Myers, Federal Aviation Administration spokesman in Atlanta, said that the aircraft was being worked by FAA controllers at the Atlanta Center and the pilot "advised he was having engine trouble and had shut one engine down." Impact of the crash ripped the wings from the plane and the craft burst into flames. Local authorities said it appeared the pilot may have mistaken a flashing red light on the Veterans Administration Hospital for an airport light. Tri-Cities Airport was closed because of heavy snowfall.

BEECH SALES UP 12.7 PERCENT IN '84 – Beech Aircraft Corp. this month reported a 12.7 percent hike in sales for the 1984 calendar year. Unaudited sales of $723.5 million topped the previous year's $641.9 million. Sales of $215.6 million in the fourth period were the highest since the $242-million level reached in the final quarter of 1981. Although Beech earnings are consolidated in with those of its parent Raytheon Co., the company did say that they were affected by continued research and development throughout the year on the Starship program.

U.S. Regional Airlines

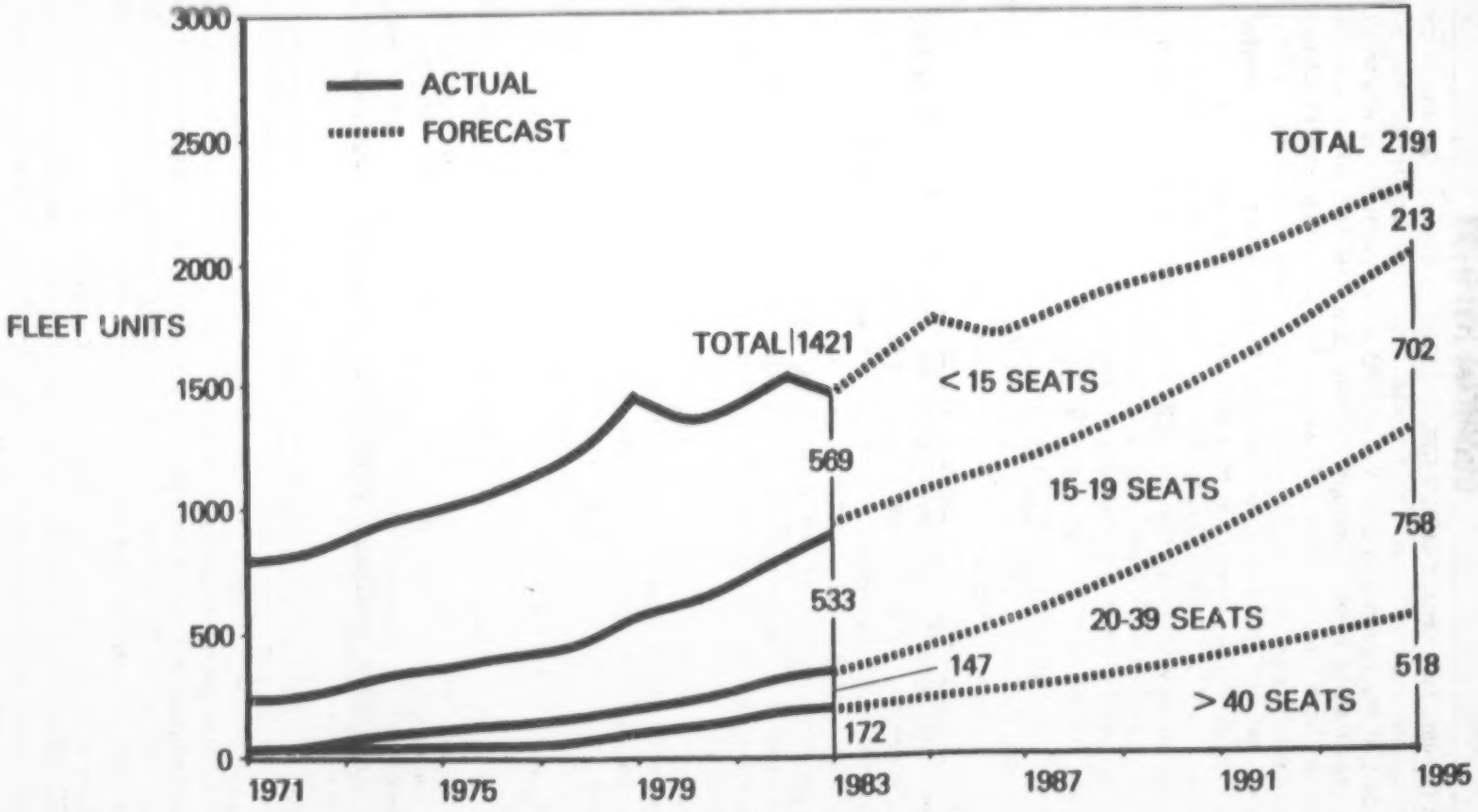
RPM History and Forecast, 1971 to 1995



de Havilland Aircraft of Canada chart

U.S. Regional Airlines

Actual and Forecast Fleet, Propeller-driven Aircraft, 1971 to 1995



de Havilland Aircraft of Canada chart